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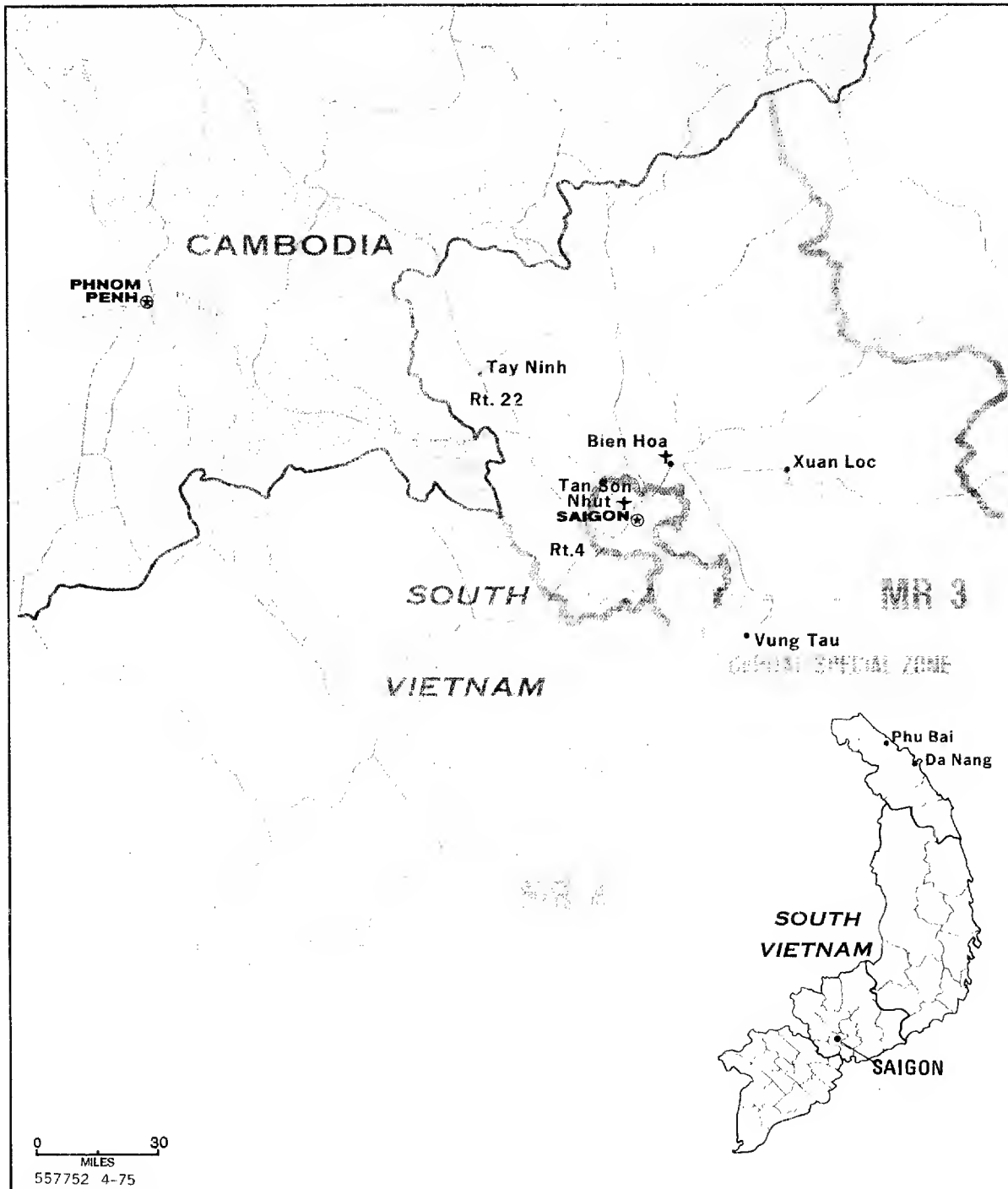
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VIETNAM

25X1 There is near unanimous agreement among senior South Vietnamese civilian and military officials that President Thieu's decision to resign was a good one and that a new government should be formed immediately to attempt to arrange negotiations with the communists.

[REDACTED]

25X1 General "Big" Minh, probably the leading candidate to head a new cabinet, is calling for a new government that would include staunch anti-Thieu members of the Catholic and Buddhist opposition groups. Former vice president Ky wants to lead a new government that would include General Vien, the chairman of the Joint General Staff, and former prime minister Khiem.

[REDACTED]

[REDACTED] There is also some maneuvering in the Senate to replace Tran Van Lam with Buddhist leader Vu Van Mau in order to allow Mau to become president when Huong resigns.

The South Vietnamese Foreign Ministry today called for an immediate cease-fire and negotiations without preconditions for a political settlement. The communists immediately rejected the proposal.

Communist reaction to Thieu's resignation provides no encouragement for the prospects of meaningful negotiations. The Viet Cong's Provisional Revolutionary Government dismissed Thieu's departure as a "clumsy and deceptive trick." Hanoi radio and the party daily, Nhan Dan, focused on the continuation of American support for the new government and stated that the US in effect had replaced one loser with another.

The North Vietnamese commentaries also gave considerable attention to the withdrawal of Americans from South Vietnam. They stated that all Americans could be evacuated "in a very short time, even in one day, without

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any difficulty or obstacle." They went on to condemn US expressions of concern about communist reprisals and warned against any US effort to evacuate large numbers of South Vietnamese. US naval vessels moving toward South Vietnamese waters, it was stated, are far more than would be needed simply to evacuate Americans.

In short, the communists are continuing to demand a totally new South Vietnamese government and a quick and total US withdrawal as the price for a negotiated surrender. At least in their public commentary, there is no hint of give in their position, and there is a clear implication that time is quickly running out.

* * * *

The level of communist shellings and ground attacks has fallen off sharply as both sides appear to be getting ready for future combat. The only significant military action yesterday was the reopening of Route 22 south of Tay Ninh city, which allowed the remainder of the South Vietnamese 25th Division to withdraw from Tay Ninh city to government lines nearer Saigon.

A South Vietnamese estimate of communist intentions and capabilities as of April 22 indicates that the current lull in military activity is only to permit the communists time to prepare their forces and coordinate plans to launch a combined attack on Saigon and Bien Hoa. The estimate provides a bleak view of the ability of the government forces to resist the final thrust toward the capital city.

The estimate views Saigon's remaining forces as battle-weary, understrength, and unlikely to make a determined stand. Many South Vietnamese pilots are believed ready to fly out of the country, and the military

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planners are not counting heavily on their support in a final battle. It is also expected that most of the territorial forces, police, and many of the regular soldiers will desert to look after their families.

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The communists also are moving on Saigon from the east in strength, following the abandonment of Xuan Loc by government forces.

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The consolidation of forces and the steady overrunning of government field positions to the southwest of Saigon suggest the communists are about ready to move at least three divisions up the Route 4 corridor--the southwestern approach to Saigon.

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CHINA

Strains in Peking's relations with Hanoi have become more evident in the wake of recent developments in Indochina.

These tensions seem to be centered on the Chinese view that Hanoi may intend to extend its hegemony over Cambodia and Laos as well as South Vietnam, and the possibility that Moscow also will increase its influence in the area. The rapid South Vietnamese military collapse, coupled with the Cambodian insurgents' victory, appears to have heightened Peking's concern because it has forced the Chinese to come to grips now with problems they probably would have preferred to postpone.

Speeches by two Chinese leaders at separate functions in Peking over the weekend reflect the high level of Chinese wariness about Hanoi's intentions. Throughout the ceremonies surrounding the visit of North Korean President Kim Il-song and the celebrations of the insurgent victory in Cambodia, there was a notable absence of any reference to Hanoi's role in recent Indochina developments. Vice Premier Teng Hsiao-ping, in his speech at the welcoming banquet for Kim, did, however, pledge Chinese support to the South Vietnamese communists in their efforts to "uphold the Paris Agreement and defend their national rights." Defense Minister Yeh Chieng-ying also referred to the importance of the Paris Agreement--a theme the North Vietnamese have recently been downplaying--in his speech at the Cambodian "victory rally" Saturday in Peking.

Although the lack of any reference to North Vietnam is probably in part related to the fiction that only South Vietnamese are engaged in the fighting there, it is nevertheless striking that the Chinese failed to mention Hanoi during ceremonies that at least in part were intended to demonstrate Asian "revolutionary unity."

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Both speeches seem to reflect apprehension that Hanoi will now move promptly to unify Vietnam. Given Chinese concern that the North Vietnamese regime has "tilted" in the direction of Moscow, Peking probably hopes that reunification will be postponed until well in the future. Since the signing of the Paris accords, the Chinese have attempted to increase their equities with the PRG, but they almost certainly recognize that they can do little to thwart Hanoi on the reunification issue.

Chinese leaders also appear to be working hard to maximize Peking's influence over the new Cambodian government, as well as to limit both North Vietnamese and Soviet influence. Yeh's speech emphasized the "independence and self-reliance" of the Cambodian insurgents, as well as the importance of the National United Front, under Prince Sihanouk. The current visit of Kim Il-song, who has long supported Sihanouk, served to bolster Peking's portrayal of the Prince as the primary figure in the Cambodian "revolution."

By playing up the importance of their long-time ally Sihanouk, the Chinese are clearly indicating that they hope the Prince will play an important role in the new government. The relationship appears to be reciprocal at this juncture. Sihanouk's prime minister also emphasized the importance--both past and future--of Chinese assistance to Cambodia, referring specifically to a recent statement attributed to Mao that the Chinese would stand by the Cambodian people "in the struggles ahead." The implication appears to be that these "struggles" could involve the Vietnamese and perhaps the Soviets.

The Chinese have long appeared to entertain doubts about their influence with the Khmer communists, although they probably also believe they are in position to exploit latent anti-Vietnamese hostility on the part of some Cambodian rebel leaders, such as Khieu Samphan. They may feel that their attempts to increase their influence over the Khmer communists have not been entirely successful, however.

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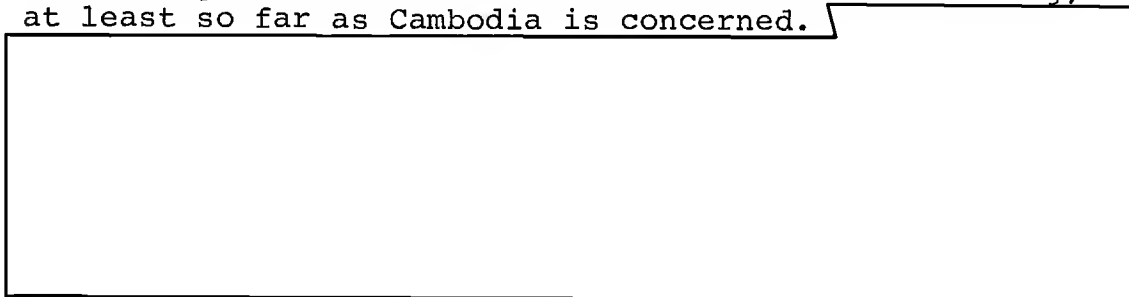
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Both Teng and Yeh decried Soviet actions with regard to Cambodia. Yeh pointed out that Moscow had maintained diplomatic ties with the "Lon Nol clique" after Sihanouk's ouster and that it had changed its tune only at the last moment. Despite these protestations, the Chinese are almost certainly concerned--perhaps somewhat irrationally--that recent developments in Indochina will work to Moscow's advantage.

Sihanouk's foreign minister, Sarin Chhak, enunciated similar concerns in a recent visit to Ghana. He told the Ghanaians that, in effect, the Cambodians consider themselves allied with the Chinese against both the Soviets and the North Vietnamese.

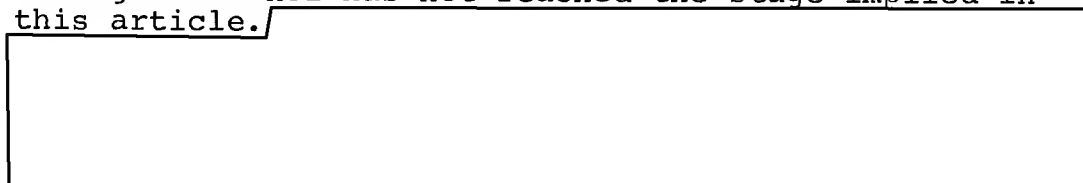
The North Vietnamese themselves appear to anticipate increasing difficulties in their relations with Peking, at least so far as Cambodia is concerned.

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INR believes that the level of tensions between Peking and Hanoi has not reached the stage implied in this article.

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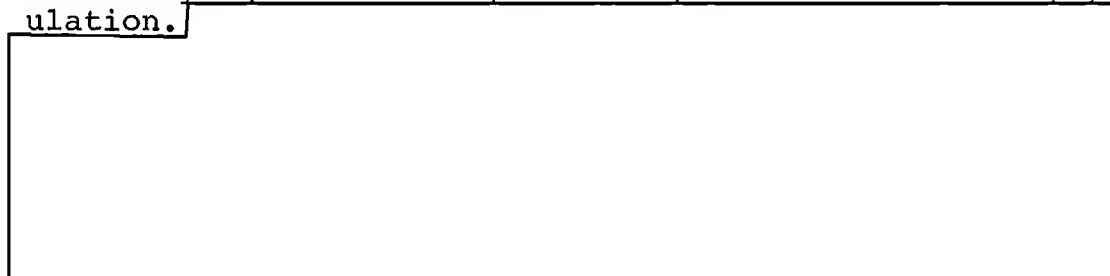
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CAMBODIA

In recorded statements carried by Phnom Penh radio yesterday, Defense Minister and Deputy Prime Minister Khieu Samphan and Information Minister Hu Nimm congratulated insurgent forces for "final victory...in the people's war" and thanked foreign allies for their support. The two leaders called for "national unity" to build an "independent, neutral, nonaligned, and prosperous" Cambodia, but omitted any specific mention of reconciliation with, or amnesty for, those who fought or served on the side of the former government.



So far, there is no evidence that the communists are carrying out mass reprisals against the civilian population.



There is still no firm evidence on the fate of senior figures captured by the communists in Phnom Penh, but most Westerners in the capital are safe. Six United Nations staff members got word out yesterday that they

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had sought refuge in the French embassy compound--the only foreign installation still operating in the capital. Twenty-six foreign journalists--including five US news-men--are still at the French compound. The mood in Phnom Penh, however, appears to be far from hospitable.

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Sihanouk is still showing no signs of preparing to leave Peking and members of the Prince's entourage have complained bitterly that they are not being informed on developments in Cambodia. Most of the Prince's information is apparently coming from press services in Peking.

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PORTUGAL

The preliminary conclusions of Admiral Rosa Coutinho's investigation into the coup attempt on March 11 were released to the Portuguese public yesterday, and they are not likely to have a major impact on the election for a constituent assembly on Friday.

Moderate parties had feared they would be implicated in the plot and that the report would give the Armed Forces Movement an excuse to cancel the election. Excerpts from the findings, however, do not bear out these fears. No direct connection was drawn between the moderate parties and the coup plotters, although Socialist Party leader Mario Soares and the respected weekly newspaper Expresso, operated by members of the Popular Democratic Party, were chided for contributing to the uncertain atmosphere that encouraged the coup attempt.

The report commended the Communists for mobilizing popular opposition to the coup effort. The passage may have been intended as a boost for the party in the election, but the impact will be limited.

The unsuccessful coup attempt is blamed on the "forces of national and international capitalism, high finance, and its allies." Foreign criticism of the military government is said to have incited a conservative reaction. The US government was indirectly linked to the plot by the inclusion of a Portuguese press article, which mentions Ambassador Carlucci's alleged support for former president Spínola's counterrevolutionary efforts.

The Coutinho report offers an explanation of the events of March 11 obviously designed to show the Armed Forces Movement in the best light. Specifically, the coup attempt is pinned on General Spínola, who, according to the report, speeded up his plans to regain the presidency when he learned of the Movement's plan to formalize its political role. He allegedly knew if the Movement could handpick the president he would have no chance of regaining power.

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WESTERN EUROPE

The West European states have expressed disappointment at the breakdown of the Paris energy talks last week. They nevertheless believe that the oil-consuming nations could not have made further concessions without giving in completely to the demands of the Algerian-led coalition of oil-producing and developing states.

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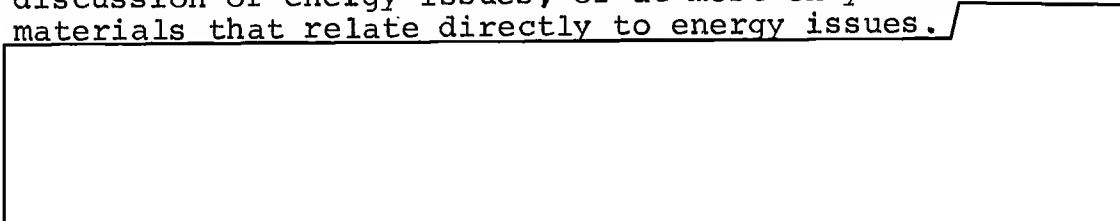
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As originally conceived by President Giscard, the Paris conclave was to be a preparatory meeting that would pave the way for a later conference to examine energy and related problems. The ten participants failed to agree on an agenda for the future meeting, however, when the Algerian-led coalition of oil producers and developing states demanded that the industrialized states--represented by the US, Japan, and the EC--agree to give raw materials and economic development issues equal treatment with energy on the agenda. The industrialized states maintained that the conference should be restricted to a discussion of energy issues, or at most only to those raw materials that relate directly to energy issues.

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ITALY

A majority of Italy's top labor leaders last week endorsed in principle the eventual formation of a single national labor organization, but the minority that fears communist domination of the labor movement is strong enough to block implementation of the plan any time soon.

The vote for unification resulted mainly from the unanimous support given by representatives of Italy's largest labor organization--the communist-dominated General Confederation of Italian Workers. Their support alone accounted for 65 percent of the vote in favor of unification.

Any effort to put the plan into effect, however, will be hindered by dissent within the other two major labor organizations--the Christian Democratic - oriented Confederation of Trade Unions and the Union of Italian Labor, a mixture of Social Democrats, Socialists, and Republicans. Opponents of labor unity have enough strength within both organizations to prevent either from taking the next step to a single national labor union--the dissolution of the existing confederations.

Apart from the bitter personal rivalries that divide Italian labor leaders, opposition to merger of the three confederations centers on the question of whether they can achieve genuine separation from the country's political parties. Those against merger maintain that, without such autonomy, communist control of the new organization would be assured.

Communist labor leaders have gone through the motions of resigning their party positions, but labor unity opponents remain unconvinced. Their skepticism could only have been reinforced by the prominent role given to the top communist labor leader in the party's recent national congress. The communist answer to opponents of the merger has been a call to press ahead toward unification with "those who are willing," even at the risk of a

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split in the labor movement. In addition to the enhanced economic leverage it would give them, the communists see labor unification as another way of conditioning the Christian Democrats to eventual acceptance of communist participation in the government.

Further decisions on labor unification are likely to be deferred until after the important nationwide local elections this June. In the meantime, the labor leaders will at least be able to present a unified front in reacting to the recent upsurge in violence by right- and left-wing extremists. They voted to protest the "fascist" provocations by calling two brief general strikes, one last week and the other yesterday.

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SYRIA-IRAQ

The Arab foreign ministers, meeting in Cairo agreed on Monday to form a technical committee that is expected to begin an on-the-scene investigation early next week of Iraq's charge that Syria is withholding water from the Euphrates River. The meeting is taking place amidst reports that both countries are moving military units to new positions.



Baghdad's movement of troops may be prompted by a desire to bring a greater sense of urgency to the diplomatic proceedings. Even before the Cairo meeting, the Iraqis made a major effort to mobilize support from other Arabs by sending presidential emissaries to a number of Arab capitals. The Syrians, on the other hand, were not even represented in Cairo by their foreign minister. Damascus contends that the dispute is a technical rather than a political issue.

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The conflict over sharing water resources is the latest reflection of the long-standing rivalry between the Syrian and Iraqi wings of the Pan-Arab Socialist Baath Party. The Syrians acknowledge that sometime in March they began withholding water from Iraq--which according to experts affects some two to three million Iraqis--in retaliation for what Damascus claims was Baghdad's involvement in a recent attempt to weaken or overthrow President Asad. A Syrian Foreign Ministry official told the US embassy last week that the step was taken as a warning to Baghdad to stop meddling in Syrian domestic affairs.

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HONDURAS

Chief of State Lopez, buffeted by the impact of a major scandal and the determined opposition of a group of reform-minded lieutenant colonels, was ousted yesterday by the Superior Defense Council. His replacement, armed forces commander Colonel Juan Alberto Melgar, is likely to play only a figurehead role, however, and could soon become another victim of the anti-corruption campaign of the younger officers.

Melgar has been closely associated with Lopez and with the other full colonels, almost all of whom have been removed from power, and is suspected of involvement in the corruption that increasingly characterized Lopez' 12-year reign as Honduras' strongman. He will be retained at least temporarily by the ascendant lieutenant colonels, however, largely because they have not yet agreed on a member of their own group to replace him.

In a recent conversation with the US ambassador, Melgar described himself and a "majority" of the lieutenant colonels' group as "right of center." They can be expected to maintain Honduras' traditionally close ties with the US and to provide a favorable climate for foreign investors.

A lengthy communiqué issued by the reformist officers yesterday promises a progressive and vigorous approach to Honduras' domestic problems. These officers, in their 30s and early 40s, resent the image of their country as a corrupt and backward "banana republic." They have resolved to improve it in the wake of the recent revelations that a Honduran official received a \$1.2-million bribe from the United Brands fruit company.

They are equally determined to promote economic development and agrarian reform.

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